SUPREME COURT, U.S.
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No. 05-1056

In the Supreme Court of the United States

MICROSOFT CORPORATION,

Petitioner,

v.

AT&T CORP.,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

SUPPLEMENTAL BRIEF OF RESPONDENT

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SUPPLEMENTAL BRIEF OF RESPONDENT

In its reply brief, Petitioner Microsoft Corporation incorrectly reports the record relating to 35 U.S.C. § 271(f)(2). Reply Br. at 4-5. Because section 271(f)(2) is an alternate ground for the judgment below, and because Petitioner's statements about section 271(f)(2) constitute new matter that could mislead the Court, Respondent AT&T Corp. respectfully submits this supplemental brief pursuant to Supreme Court Rule 15.8.

Petitioner's reply asserts that Respondent "*never*" alleged liability under section 271(f)(2) and that the courts below "*never*" found liability thereunder. Reply Br. at 5 (emphasis in original). As to the requirement in section 271(f)(2) that the "component" "supplied" from the United States be "especially made or especially adapted for use in the invention," Petitioner asserts that:

> The notion that Microsoft Windows—which has literally hundreds of uses beyond speech processing—was "especially made or especially adapted for use" in respondent's speech codec invention fails even the straight-face test. ... Not surprisingly, then, respondent did not allege, the district court did not find, and Microsoft did not stipulate that Windows was "especially made" for use in respondent's patented invention.

Id. Petitioner's reply brief contradicts the record in numerous respects.

First, AT&T alleged that Microsoft infringed under section 271(f)(1) and (f)(2), and Microsoft moved for partial summary judgment under section 271(f)(1) and (f)(2).[1] AT&T alleged that certain Microsoft products contain infringing speech "codecs" (software programs that are capable of converting speech signals into compact code and back again). Pet. App. 21a & n.1 (quoting Am. Compl. ¶ 14). In particular, AT&T alleged that the "golden master" copies of Microsoft Windows software contained those infringing software codecs, and that the supply of those software components from the United States for assembly of the invention abroad infringes under section 271(f). Pet. App. 24a. AT&T did not limit its allegations to section 271(f)(1), but alleged infringement under section 271(f) as a whole. *See, e.g.*, Pet. App. 21a-22a, 24a.

Indeed, when Petitioner moved for partial summary judgment, it invoked both section 271(f)(1) and 271(f)(2):

> Microsoft's exportation of "golden master" disks upon which Windows operating system software information is stored is not an act of infringement under 35 U.S.C. §§ 271(f)(1) ***or (2)***. Consequently, AT&T should be precluded from advancing an infringement claim ***under these statutory sections***.

Supp. Br. App. 3b (emphasis added). Further contradicting Petitioner's assertion that Respondent's briefs below "*never* once ... suggested that Microsoft was liable under Section

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[1] Microsoft originally styled its motion as a motion in limine to exclude evidence of foreign sales, but the parties later stipulated to convert it to a motion for partial summary judgment. Pet. App. at 21a-22a n.3.

271(f)(2)" (Reply Br. at 5, emphasis in original), AT&T explicitly quoted from section 271(f)(2) and analyzed cases that applied the "especially made or especially adapted" standard set forth in that section but not in section 271(f)(1). Supp. Br. App. 22b, 28b-29b. AT&T also quoted and analyzed the language of section 271(f)(2) in its brief to the Federal Circuit. AT&T App. Opp. Br. at 11, 47-48.

The record also contradicts Petitioner's statement that "the district court did not find ... that Windows was 'especially made' for use in respondent's patented invention." Reply Br. at 5. To the contrary, the district court explicitly quoted section 271(f)(2), analyzed the infringement standard in that section, and determined that section 271(f)(2) applied to the Windows codec software components at issue:

> [U]nder paragraph (2) the components must be especially made or adapted for use in the invention. ... Additionally, paragraph (2) requires the infringer to have an intent that a component "will be combined outside of the United States in a manner that would infringe if the combination occurred within the United States." 35 U.S.C. § 271(f)(2). ... ***Here, it is undisputed that Microsoft's object code is especially made and supplied from the United States*** for use in its Windows operating system, that Microsoft intended the components to be combined outside of the United States, and that Microsoft intended that the infringing objec code be directly incorporated as an essential part of the foreign-manufactured computers.

Pet. App. 27a-28a (emphasis added, citing the stipulated facts at Pet. App. 44a-47a).[2] The Stipulated Statement of Facts also provides that "[t]he District Court ruled in favor of AT&T on all 271(f) issues in [the summary judgment opinion]." Pet. App. 47a ¶ 11. Moreover, the district court explicitly adopted its "determinations" from that summary judgment opinion into the Stipulated Judgment. Pet App. 42a-43a ¶¶ 4-6. Finally, in affirming this judgment, the Federal Circuit also expressly referred to and relied on section 271(f)(2). Pet. App. 4a-5a.

CONCLUSION

Petitioner's misstatement of the record exceeds legitimate advocacy. The text, operation, and effect of section 271(f)(2) are materially different from section 271(f)(1). Microsoft expressly moved for partial summary judgment under section 271(f)(2). The district court denied Microsoft's motion, made a specific determination under section 271(f)(2), and entered judgment against Microsoft, in part based on section 271(f)(2). The Federal Circuit affirmed. Petitioner did not ask this Court to review that portion of the judgment based on section 271(f)(2). Petitioner presents either an incomplete

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[2] Petitioner's contention that there was no allegation, finding, or stipulation that "Windows was 'especially made' for use in respondent's patented invention" is misleading in a further sense. It sets up the spurious issue of whether Windows as a whole has any non-infringing uses, when the actual issue below was whether Petitioner's speech codec components of Windows infringe. *See, e.g.*, Pet. App. 24a-25a. Based on the Stipulated Facts, the district court concluded that those accused codecs had no other purpose or use except to practice the patented invention. Pet. App. 27a-28a.

case for review or a request for an advisory opinion. Either way, the petition is flawed and advances no persuasive reason to review the lower courts' correct decision.

Respectfully submitted,

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APPENDIX

APPENDIX A

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

AT&T CORP.	)	
	)	
Plaintiff,	)	Civil Action No.
	)	
v.	)	01 Civ. 4872 (WHP)
	)	
MICROSOFT CORPORATION	)	
Defendant.	)	
	)	

MICROSOFT'S MEMORANDUM IN SUPPORT OF ITS MOTION IN LIMINE BARRING EVIDENCE AS TO SUPPOSED LIABILITY UNDER 35 U.S.C. § 271(f)

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November 17, 2003

I. INTRODUCTION

Microsoft's exportation of "golden master" disks upon which Windows operating system software information is stored is not an act of infringement under 35 U.S.C. §§ 271(f)(1) or (2). Consequently, AT&T should be precluded from advancing an infringement claim under these statutory sections.

Section 271(f) proscribes the supply from the United States, i.e., exportation, of "components" of a patented product for assembly abroad under certain circumstances. A "component" is a constituent part of a patented product. Thus, section 271(f) proscribes the export of the parts to be combined abroad to form the patented product. Software that is replicated abroad, however, cannot be a part supplied from the United States. In this manner, the foreign replicated copies of Microsoft's Windows operating system software cannot be the statutory "components" supplied from the United States to form foreign computer systems.

Section 271(f) also does *not* proscribe exportation of intangible information. The Windows operating system software stored on golden master disks is intangible information. The golden master disk is simply a medium for the transmission of the software information. Transmission of information, whether it be object code laser etched in the form of pits and lands upon a compact disk (CD), in the form of source code written upon sheets of paper, or an algorithm committed to the memory of a person, cannot be subject to infringement liability under section 271(f). Thus, the exportation of intangible software information stored on the medium of golden master disks is not within the scope of section 271(f).

II. FACTUAL BACKGROUND

Microsoft makes a limited number of golden master disks in the United States on which Windows operating system software is stored. Some golden master disks are shipped abroad and the software information stored on them is replicated *outside* the United States. The replicated software is then installed abroad onto computer hardware to form computer systems.

Microsoft exports golden master disks to two different types of entities. First, Microsoft exports golden master disks to foreign computer manufacturers. Those manufacturers replicate abroad the Windows software stored on the disks, and then install that replicated software onto computer hardware for sale. Second, Microsoft also exports golden master disks to authorized foreign "replicators." The replicators make copies of the Windows software and supply the replicated copies to foreign computer manufacturers. In either case, the golden master disk itself is never incorporated into a computer system.[1]

Windows operating system software is intangible information that is the product of Microsoft's intellectual processes. Golden master disks are simply a tangible medium upon which the intangible Windows software is stored for transmission to others. By agreement, Microsoft has granted

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[1] Microsoft also supplies its Windows operating system software from the U.S. to certain foreign contractors by encrypted electronic transmission of the software code. The foreign contractors de-encrypt the software code and replicate the code for foreign distribution. The electronically transmitted code is not incorporated into foreign computer systems. Rather, the replicated copies of the Windows software code are incorporated into foreign computers.

foreign computer manufacturers and replicators the right to replicate Windows software. Pursuant to those agreements, Microsoft must deliver the software abroad. Golden disks represent a medium for doing so. The foreign computer manufacturers and replicators use the golden master disks as a mold or pattern to produce new copies of Windows software that are actually installed onto foreign computers. The Windows software stored on the golden master disks remains on the master, much like the words and ink on this page remain on this page even after a copy is made.

III. NEITHER GOLDEN MASTER DISKS, NOR INTANGIBLE INFORMATION STORED ON THEM, ARE "COMPONENTS" WITHIN THE MEANING OF 35 U.S.C. § 271(f)

A. The Plain Meaning Of The Term "Component" Is "A Constituent Part" of A Patented Product

Section 271(f) precludes exportation of certain "components" of patented inventions (Ex. 1). The copied units of the Windows operating system software replicated abroad cannot be the proscribed statutory "components" combined abroad because those units are not supplied from the United States.

Although not specifically defined in section 271(f), the term "component" must be interpreted in view of its "ordinary, contemporary, common meaning." *See Bayer AG v. Housey Pharm., Inc.*, 340 F.3d 1367, 1371 (Fed. Cir. 2003). "Dictionaries of the English language provide the ordinary meaning of words used in statutes." *Id.* The term "component" is defined as "a constituent part: INGREDIENT" (Webster's 3d New Int'l Dictionary (1981)). Thus, to be a prohibited "component" within the meaning of

section 271(f), an exported item must itself become a "constituent part" of an assembled product covered by a U.S. patent. Conversely, exported items that never become a constituent part of an assembled product are not within the ambit of section 271(f).

There is an important distinction between an item that is *itself a component* of a patented product assembled abroad and an item that is *used abroad to make a component* of a patented product that is assembled abroad. For example, consider exportation of a mold or machine that may be used abroad to make a component of an assembled product. While the *component* may become a part of the assembled product, the *mold* or *machine* cannot and does not become a part of the assembled product. While exportation of the *component* is proscribed by section 271(f) under certain circumstances, the statute does not preclude the exportation of the *mold* or *machine* used abroad to make the component. Nor can it logically be said that components made abroad using the mold or machine were exported or supplied from the United States.

A golden master disk is similar to a mold or machine used to make something that, at least arguably, is a component of a computer system. But the golden master disk itself is not a "constituent part" or "component" of that computer system. At most, it could be argued that newly-created Windows software copies, replicated abroad from the golden master mold, become constituent parts of a foreign-assembled computer system. But it cannot be said that those software copies were supplied from the United States. Furthermore, as explained below, section 271(f) does not reach the exportation of the information contained in those software copies.

B. Section 271 Limits "Products" And "Components" To Physical Articles And Does Not Encompass Intangible Information

To properly define the statutory term "component" as used in section 271(f), it is appropriate to look for guidance from other provisions of section 271. *Bayer*, 340 F.3d at 1372.

The Federal Circuit has recently set forth its opinion that the terms "product" and "component" as used in section 271(g) appear "to contemplate a physical product" as opposed to "information." *Id.* at 1373. Thus, *Bayer* reinforces the view that the statutory term "components" in section 271(f) refers to actual parts of a product assembled abroad. The statute does not refer to the export or import of *information*. *Id.* at 1376-77.

Accordingly, even if the golden master disk – the physical item itself – is the "component" supplied from the U.S. to form part of a patented invention abroad, the export of the *information* contained therein is not an act of infringement pursuant to section 271(f). As such, the foreign replications of that information also cannot constitute an act of infringement pursuant to section 271(f).

In *Bayer*, the patentee accused Bayer of importing research information obtained abroad through the use of the patentee's methods in violation of section 271(g). Section 271(g) prohibits importation of "a *product* which is made by a process patented in the United States" (Ex. 1). Section 271(g), however, exempts from liability a product that "becomes a trivial and nonessential *component* of another product." At issue was whether the imported "information"

constituted "a product which is made by a [patented] process." *Bayer*, 340 F.3d at 1371.

The Federal Circuit held that section 271(g) does not proscribe the import of information. *Id.* at 1376. In its analysis, the Federal Circuit relied in part upon the language of the exemption clause of section 271(g). Because the exemption arises if the imported "product" becomes a trivial "*component* of another product," the Federal Circuit stated that the term "component" "appear[s] to contemplate a physical product." *Id.* at 1373. Accordingly, the Federal Circuit has already opined that the statutory term "component" contemplates a physical product, and not information that is the product of intellectual processes. *Id.* at 1376-77.

C. The Legislative History Reflects Congressional Concern With Exportation Of Physical Articles To Be Assembled Abroad Rather Than Exportation Of Intangible Information

The legislative history of section 271(f) reflects congressional concern with exportation of physical items that are assembled abroad into patented products. In the face of silence in the legislative history, this Court should decline to broadly interpret section 271(f) to prohibit the export of information. *Bayer*, 340 F.3d at 1376.

Congress enacted section 271(f) in response to the Supreme Court's decision in *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972). In *Deepsouth*, the defendant, after being found to be an infringer, sought modification of the injunction issued against it to export the very product it was precluded from making, using, or selling within the United States. *Id.* at 523-24. To avoid the effects

of the patent law and the injunction, the defendant made all of the components of a shrimp deveining machine within the United States and then shipped the components for assembly abroad. *Id.* at n. 5 ("Deepsouth is entirely straightforward in indicating that its course of conduct is motivated by a desire to avoid patent infringement.") The issue was whether the defendant was "making" the patented invention within the United States and thereby infringing under 35 U.S.C. § 271(a). The Supreme Court ruled that "making" requires an "operable assembly of the whole and not the manufacture of its parts." *Id.* at 528. Because the defendant never combined the components within the United States, the Supreme Court condoned the defendant's actions to avoid the injunction by holding that there was no direct infringement by making.

In response to *Deepsouth*, Congress enacted section 271(f) to prevent infringers from avoiding U.S. patents by manufacturing the parts of a patented product within the United States and completing the final steps of the assembly process abroad. The legislative history reflects Congress' desire to halt infringers from "supplying components of a patented product in this country so that the assembly of the components may be completed abroad" (Ex. 2). The legislative history, however, shows no affirmative congressional intent to prohibit either exportation of information, or exportation of physical articles that never become a "constituent part" of a patented product assembled abroad. Rather, the legislative history reflects congressional intent to prohibit export of tangible items to be assembled abroad into a product that would otherwise infringe a U.S. patent. "In the face of silence in the legislative history," courts should be "reluctant to broadly interpret the legislation." *Bayer*, 340 F.3d at 1376. The legislative history's very silence thus suggests that Congress did not intend section 271(f) to broadly preclude exportation of, or

foreign replication of, intangible information (such as Windows operating system software) or exportation of items that never become a part of a patented product assembled abroad (such as the golden disks themselves).

The Federal Circuit's analysis of the legislative history of section 271(g) in *Bayer* is helpful to determine the meaning of the term "component" at issue here. While sections 271(g) and 271(f) concern different infringing acts, the Federal Circuit noted that the two sections were companion provisions sharing a common legislative history. *Id.* at 1374. This common legislative history leads to the conclusion "that Congress was concerned solely with *physical* goods that had undergone manufacture." *Id.* at 1373 (emphasis added). There is "nothing in the legislative history suggesting that Congress was concerned that the preexisting statutory scheme failed to reach *intangible information*." *Id.* at 1374 (emphasis added). Clearly, "Congress was concerned with *tangible products* and not mere *information*." *Id.* at 1376 (emphasis added).

Accordingly, the legislative history reflects no congressional intent to prohibit export of intangible information. But the Windows software contained on the golden master media is just that — intangible information. That information is subjected to a replication process *abroad* by others for incorporation into foreign computers. Microsoft does not conduct that process within the United States and export the replicated software copies. Thus, section 271(f) is not implicated by Microsoft's actions.

D. Reading The Term "Component" To Cover Something Used To Make Something Else That Is A Part Of A Patented Product Or To Cover Intangible Information Leads To Anomalous Results

Both the plain language and the legislative history of section 271(f) reflect that Congress intended to prohibit exportation of tangible items for assembly into patented products abroad. Reading the statute to cover export of information or physical items that are merely used abroad to make parts for an assembled foreign product would lead to anomalous results.

Assume, for example, that a person exports a mold for producing parts abroad. Further assume that these foreign-made parts are then combined abroad with other parts to assemble a final product. The articles made using the mold are the "parts" or "components" of the final product. The mold, however, is not a "part" or "component" of the final product. Under the proper statutory construction, exportation of the mold would not lead to infringement liability under section 271(f). But under AT&T's proposed statutory construction, exportation of the mold *would* lead to liability.

Similar to mold replication are those instances in which chemicals exported from the U.S. are modified abroad to make a finished product. In *Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc.*, 95 Civ. 8833 (RPP), 2001 U.S. Dist. LEXIS 16895, *11-*15 (S.D.N.Y. Oct. 15, 2001), *aff'd.* 326 F.3d 1226 (Fed. Cir. 2003), exportation of a chemical precursor that was modified abroad to form one part of a two part product was held not to implicate section 271(f). The court held that the precursor was not "literally a component" of the claimed product. *Id.* at *15.

More directly, however, is that section 271(f) cannot be interpreted to cover export of information. In *Bayer*, the Federal Circuit specifically noted that to disregard the plain meaning and legislative history of the statute by holding that information is covered by section 271 "could lead to anomalous results." *Bayer*, 340 F.3d at 1376. The Court rejected the patentee's proposed construction of section 271(g) because, under it, "a person possessing the allegedly infringing information could . . . possibly infringe by merely entering the country." *Id.* at 1376. The court stated: "Such an illogical result cannot have been intended." *Id.* Similarly under AT&T's proposed construction of section 271(f), a person possessing the Windows software information could possibly infringe AT&T's patent by merely leaving the country with that information and entering the information into a foreign computer system possessing all of the other necessary claimed components.

If section 271(f) is to be extended to preclude exportation of information, as urged by AT&T, Congress and not the Courts should make that determination. *Id.* at 1376-77 ("Congress is in a far better position to draw the lines that must be drawn if the product of intellectual processes rather than manufacturing processes are to be included in the statute.").

E. Section 271(f) Should Not Be Expanded Beyond Prohibiting The Exportation Of Physical Articles That Become A Component Of A Patented Product

Bayer's admonition that section 271(g) should be narrowly construed applies equally to the construction of section 271(f) here. The Court should not expand section 271(f) beyond the export of the physical components used in products assembled

abroad. For example, various cases have found section 271(f) liability where physical parts were exported for assembly abroad into a final product. *See, e.g., Moore U.S.A., Inc. v. Standard Register Co.*, 144 F. Supp. 2d 188, 195-96 (W.D.N.Y. 2001) (supply of paper and glue required to make mail envelopes); *T.D. Williamson, Inc. v. Laymon*, 723 F. Supp. 587, 590-93 (N.D. Okla. 1989), *aff'd*, 923 F.2d 871 (Fed. Cir. 1990) (supply of components used to assemble caliper pig); *W.R. Grace & Co. -Conn. v. Intercat, Inc.*, 60 F. Supp. 2d 316, 320-21 (D. Del. 1999) (supply of chemical materials to be combined with other materials abroad).

In contrast, courts have repeatedly rejected efforts to expand the scope of section 271(f) beyond its limited sphere. *See, e.g., Pellegrini v. Analog Devices, Inc.*, C.A. No. 02-11562-RWZ, 2003 U.S. Dist. LEXIS 7598, *1-*4 (D. Mass. May 7, 2003) (rejecting as "sophistry" patentee's argument that exportation of instructions for foreign disposal of computer chips was within section 271(f)); *Bristol-Myers*, 2001 U.S. Dist. LEXIS 16895, at *16-*18 (rejecting argument that instructions from the United States to combine parts made abroad implicated section 271(f) liability); *Fieldturf, Inc. v. Southwest Recreational Indus., Inc.*, 235 F. Supp. 2d 708, 733 (E.D. Ky. 2002) (limiting scope of section 271(f) to avoid extraterritorial effect of U.S. patent law); *Enpat, Inc. v. Microsoft Corp.*, 6 F. Supp. 2d 537, 539-40 (E.D. Va. 1998) (because there are no "components" or "patented physical product" to a patented method, section 271(f) does not apply); *Aerogroup Int'l v. Marlboro Footworks, Ltd.*, 955 F. Supp. 220, 231-32 (S.D.N.Y. 1997) (section 271(f) inapplicable to a design patent for a shoe sole because the design patent claimed no tangible "components"); *see also Standard Havens Prods., Inc. v. Gencor Indus., Inc.*, 953 F.2d 1360, 1374 (Fed. Cir. 1991) (section 271(f) does

not apply to an apparatus exported to implement a patented process because process has no components).

The *Eolas* and *Imagexpo* cases (Ex. 3) are not governing precedent for the present issue. Neither addressed the statutory construction of the term "component." Neither analyzed the legislative history. Neither took the *Bayer* case into consideration.

CONCLUSION

For the foregoing reasons, AT&T should be precluded from advancing a section 271(f) theory of patent infringement liability.

/s/_____

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November 17, 2003

APPENDIX B

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

AT&T CORP.	)	
Plaintiff,	)	
	)	Civil Action No.
v.	)	01 CV 4872 (WHP)
	)	
MICROSOFT CORP.	)	
Defendant.	)	
	)	

AT&T's MEMORANDUM IN OPPOSITION TO MICROSOFT'S MOTION IN LIMINE TO BAR EVIDENCE OF LIABILITY UNDER 35 U.S.C. § 271(f)

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Dated: December 1, 2003

Plaintiff AT&T Corp. submits this memorandum in opposition to Microsoft's motion *in limine* to bar evidence of Microsoft's infringement under 35 U.S.C. § 271(f). Because the bases for Microsoft's motion are contrary to established law, the motion should be denied.

I. INTRODUCTION

During more than two years of discovery in this case, Microsoft withheld evidence that it exports from the United States to foreign computer manufacturers ("original equipment manufacturers" or "OEMs") "golden master" CDs containing the accused software, and does so with the intent that the software on those golden masters be installed on foreign-made computers. After failing to convince the Court that withholding this evidence warranted having the issue excluded from the case entirely, Microsoft now asks this Court to exclude this evidence because, in Microsoft's opinion, section 271(f) should not be interpreted to cover such activities. Microsoft's position is, however, in direct conflict with well-established law.

Microsoft's motion *in limine* is based entirely on two premises, both of which are fundamentally wrong. Microsoft argues that: (1) the software on its golden masters is nothing but "intangible information", and (2) the golden master CDs containing that software are themselves never incorporated into the foreign-made computers. Microsoft therefore reasons that neither the golden masters nor the software stored thereon are "components" within the meaning of section 271(f). Microsoft cites no cases that support this conclusion, instead arguing for a novel and fatally flawed interpretation of section 271(f).

As explained in more detail below, under the language of the statute and its legislative history, section 271(f) clearly applies to infringing software. Moreover, the Federal Circuit Court of Appeals has also approved of the application of section 271(f) to infringing software exported from the United States. See *Southwest Software, Inc. v. Harlequin Inc.*, 226 F.3d 1280, 1298-99 (Fed. Cir. 2000) (remanding for determination of infringement—including infringement under section 271(f)—by accused software). Federal Circuit law also refutes Microsoft's position that software is merely "intangible information," for it is clear that software to be run on a computer system constitutes a patentable *apparatus*. *See, e.g., In re Alappat*, 33 F.3d 1526, 1545 (Fed. Cir. 1994); *see also Imagexpo, LLC v. Microsoft Corp.*, No. 3:02CV751, 2003 U.S. Dist. LEXIS 15139, at *4 (E.D. Va. Aug. 19, 2003) ("The [software] code itself is a patentable apparatus.") (Microsoft's Mot. Ex. 3). Indeed, two courts have specifically held that Microsoft's golden masters can be a component of patented inventions and infringing products under section 271(f). *See, e.g., Imagexpo*, 2003 U.S. Dist. LEXIS 15139, at *8 (holding that Microsoft's golden masters and the electronic code supplied by Microsoft to its overseas representatives constitute "components" under section 271(f)); *Eolas Techs., Inc. v. Microsoft Corp.*, 274 F. Supp. 2d 972, 974 (N.D. Ill. 2003) (holding software code on a computer product to be the legal equivalent to computer hardware, and allowing a 271(f) claim against Microsoft's golden master discs); *see also NTP, Inc. v. Research In Motion, Ltd.*, 261 F. Supp. 2d 423, 431 (E.D. Va. 2002) (finding application programs, including Microsoft's Exchange Server software, to be components of patented inventions combined inside and outside the United States, and granting summary judgment of infringement under section 271(a), (b), (c) and (f)). Finally, the United States Patent and Trademark Office itself recognizes that software used in a computer is a structural and

functional part of a patentable manufacture or machine. *See, e.g.*, Manual of Patent Examining Procedure § 2106 (8th ed. 2003) [hereinafter "MPEP"]. Thus, it is clear that the law views software—and golden master CDs containing that software—not as "intangible information," but as products capable of being patented, and of infringing under section 271(f).

Microsoft's novel construction of section 271(f) completely ignores controlling law and relevant cases. Microsoft's construction should therefore be rejected, and its motion should be denied.

II. BACKGROUND

In its motion *in limine*, Microsoft acknowledges that it exports its Windows operating system products to foreign OEMs and "replicators," who then copy those software products onto computer systems and CDs for sale and distribution. (Microsoft's Br. at 2.) Microsoft similarly acknowledges that it exports its Windows products through two mechanisms: (1) by copying the software onto "golden master" CDs that are sent from the United States to the foreign OEMs and replicators; and (2) through electronic transmission (downloading) of the software from the United States directly to those foreign OEMs and replicators.[1] *Id.*

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[1] Despite having asked in 2001 for evidence concerning the distribution of Microsoft's Windows products, including distribution to OEMs, AT&T first learned ***in Microsoft's opening brief*** that Microsoft also sends its Windows products to foreign replicators through electronic transmission. Microsoft is still withholding the evidence of this exportation. Nevertheless, as will be shown below, it makes no difference under section 271(f) whether Microsoft exports its software through golden masters or

Microsoft also acknowledges that it exports this software with the intent that it be installed onto computers:

> By agreement, Microsoft has granted foreign computer manufacturers and replicators the right to replicate Windows Software. Pursuant to those agreements, Microsoft must deliver the software abroad. Golden disks represent a medium for doing so. The foreign computer manufacturers and replicators use the golden master disks ... to produce new copies of Windows software that are actually installed onto foreign computers.

Id.

III. ARGUMENT

A. Under the Language of The Statute and Its Legislative History, Section 271(f) Applies to Software.

The Patent Act generally applies only to infringing activities that take place within the United States. *See, e.g.*, 35 U.S.C. § 271(a) (stating that "whoever without authority makes ... any patented invention, within the United States ... during the term of the patent therefor, infringes the patent"). Section 271(f) is an exception to that general rule that was enacted to close a serious loophole in infringement law

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electronic transmission. That *software* is a substantial portion of the components being combined outside the United States in a manner that would infringe if the combination occurred within the United States. Consequently, Microsoft is liable under section 271(f) for both its golden masters and electronic transmission.

created by *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972). In *Deepsouth*, the Supreme Court held that manufacturing components of a patented invention in the United States, but assembling those components into the patented invention outside the United States, was not "making" (and therefore not infringement) under section 271(a). 406 U.S. at 527-29. This loophole allowed copiers to circumvent infringement merely by finalizing assembly outside the country.

> In response to *Deepsouth*, Congress enacted section 271(f):
>
> (1) Whoever without authority supplies ... in or from the United States all or a substantial portion of the components of a patented invention ... in such a manner as to actively induce the combination of such components outside of the United States ***in a manner that would infringe the patent if such combination occurred within the United States***, shall be liable as an infringer.
>
> (2) Whoever without authority supplies ... in or from the United States any component of a patented invention that is especially made or especially adapted for use in the invention and not a staple or commodity of commerce ... ***intending that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States***, shall be liable as an infringer.

35 U.S.C. § 271(f) (emphasis added). There is no question that the unauthorized assembly within the United States of computer hardware and software components into a patented

invention constitutes infringement under 271(a). *See, e.g., Eolas*, 274 F. Supp. 2d at 973 ("Microsoft is right when it says that to be liable under Section 271(a), all of the parts that must be put together in order for Internet Explorer to become an 'operable assembly' includes its installation onto the hard drive of a computer."). The language of 271(f) plainly provides that, when a substantial portion of those components were supplied from the United States, that same assembly outside the United States still constitutes infringement. 35 U.S.C. § 271(f) ("in a manner that would infringe the patent if such combination occurred within the United States").

> The legislative history of section 271(f) also supports such a reading:
>
> > Part of the subcommittee's job is to secure for the owners of intellectual property, including patent holders, a ***workable, efficient, and vigorous set of laws to protect their creations***. ...[W]ithout enactment of these housekeeping-oriented measures, ***the patent system would not be responsive to the challenges of a changing world*** and the public would not benefit from the release of creative genius. ... Section 101 [of the Bill] makes two major changes in the patent law in order to avoid encouraging manufacturing outside the United States. ... [Section 271(f)] will prevent ***copiers*** from avoiding U.S. patents by supplying components of a patented product in this country so that the assembly of the components may be completed abroad. This proposal responds to [*Deepsouth*] concerning the need for a legislative solution to close a loophole in patent law.

(Microsoft's Br. Ex. 2) Patent Law Amendments Act of 1984, Congressional Record, H10525 (Oct. 1, 1984) (emphasis

added). Nothing in the language of section 271(f) or its legislative history indicates that patented inventions that have a software component are excluded from what Congress intended to be a "workable, efficient, and vigorous set of laws to protect [these] creations." *See id.; see also W.R. Grace & Co. v. Intercat, Inc.*, 60 F. Supp. 2d 316, 321 (D. Del. 1999) ("The plain language of the statute limits its application only to a 'component of a patented invention.' Nowhere in the statute or its legislative history is there a limitation to components of machines and other structural combinations. A contrary holding, refusing to apply the statute to chemical compositions, would be tantamount to legislating additional language to a statute."). To the contrary, excluding protection for inventions using software "would not be responsive to the challenges of a changing world" (*see* Cong. Rec. H10525, Microsoft's Br. Ex. 2), as computerized inventions with software have become increasingly important since enactment of section 271(f).

Microsoft's proposed interpretation of section 271(f) does not comport with the language of the statute or its legislative history, and the Court should deny Microsoft's motion.

B. The Federal Circuit Has Approved of Section 271(f) Claims Against Infringing Software.

Microsoft's interpretation of section 271(f) also disregards Federal Circuit case law on this issue. In *Southwest Software*, the Federal Circuit approved of 271(f) claims against infringing software. 226 F.3d at 1298-99.

The technology at issue in *Southwest Software* was designed to enhance the quality of printed images. The patents-in-suit were directed to methods and devices for calibrating the intensity of images output from a computerized

imagesetter. *Id.* at 1283-86. The accused products were (1) two versions of image processing *software* with a built-in calibration feature, and (2) an imagesetter that included the accused software. *Id.* at 1287. At the close of the evidence at trial, the court granted judgment of non-infringement as a matter of law as to the two apparatus claims at issue. *Id.* at 1288. As for the remaining method claim, the jury returned a verdict of direct infringement, inducement, contributory infringement, and infringement under 271(f). *Id.*

On appeal, the Federal Circuit vacated the district court's judgment of non-infringement of the two apparatus claims. *Id.* at 1298-99. The record did not reflect any claim construction or analysis by the district court of a particular disputed claim limitation, so the Federal Circuit was unable to review the decision of the court on that issue. Consequently, the Federal Circuit remanded the case for further proceedings on the infringement issue, *including infringement under 271(f)*. *Id.* Thus, the Federal Circuit necessarily found that 271(f) claims were appropriate in cases involving software. *See id.* at 1298-99. Moreover, the Federal Circuit explicitly noted that the infringing software was a "device." *Id.* at 1288.

It is clear from *Southwest Software* that a cause of action lies under section 271(f) when software is a substantial component of a patented invention and is exported from the United States for combination with other components outside the United States. *Id.* This is the exact issue presented by Microsoft's present motion *in limine*. Under *Southwest*

Software, AT&T has a valid 271(f) claim, and Microsoft's attempt to preclude that claim should be rejected.[2]

C. Under the Case Law and Patent Office Rules, Software Is a Device or Apparatus That May Be a Component of a Patented Invention.

Microsoft's position that software is nothing more than "intangible information" also directly contradicts established law and the rules of United States Patent and Trademark Office. To begin with, the Federal Circuit's case law makes clear that software to be run on a computer constitutes a patentable ***apparatus***. *See, e.g., In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994). In *In re Alappat*, the Federal Circuit explained why software code is patentable subject matter:

> We have held that such programming creates a new ***machine***, because a general purpose computer in effect becomes a special purpose computer once it is programmed to perform particular functions pursuant to instructions from program software. ... Consequently, a computer operating pursuant to software may represent patentable subject matter,

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[2] Microsoft cites to *dicta* in *Bayer AG v. Housey Pharm., Inc.*, 340 F.3d 1367 (Fed. Cir. 2003), for the proposition that 271(f) does not apply to software. As explained in detail below, Microsoft's interpretation of *Bayer* is wrong. Moreover, the panel decision in *Bayer* cannot overrule *Southwest Software* because only the *en banc* Federal Circuit can overrule another panel's decision. *Tate Access Floors, Inc. v. Interface Architectural Res., Inc.*, 279 F.3d 1357, 1366 (Fed. Cir. 2002); *see also id.* ("upon direct conflict between Federal Circuit decisions, the precedential decision is the first") (citations and internal quotation marks omitted).

> provided, of course, that the claimed subject matter meets all the other requirements of Title 35.

Id. at 1545 (emphasis added). The Rules of the Patent Office are consistent with this holding:

> [A] claimed computer-readable medium encoded with a computer program is a computer ***element*** which defines ***structural and functional*** interrelationships between the computer program and the rest of the computer which permit the computer program's ***functionality*** to be realized, and is thus statutory. ... ***Computer programs are often recited as part of a claim.*** Office personnel should determine whether the computer program is being claimed as ***part of an otherwise statutory manufacture or machine.*** In such a case, the claim remains statutory irrespective of the fact that a computer program is included in the claim. ... When a computer program is recited in conjunction with a physical structure, such as a computer memory, Office personnel should treat the claim as a ***product claim.***

MPEP § 2106, at 2100-13 (emphasis added). Thus, Microsoft's position that software is nothing more than "intangible information"—and therefore cannot be a component under 271(f)—is nonsense.

Not one of the reported federal court decisions citing to section 271(f) remotely supports Microsoft's position that software cannot be a component of a patented invention under that section. In fact, several decisions—including two cases in which Microsoft was the defendant—hold to the contrary. *See, e.g., Southwest Software*, 226 F.3d at 1298-99; *Imagexpo v. Microsoft*, 2003 U.S. Dist. LEXIS 15139, at *4;

Eolas Tech. v. Microsoft, 274 F. Supp. 2d at 974; *NTP*, 261 F. Supp. 2d at 431. In *Imagexpo*, Microsoft filed a motion *in limine* similar to the motion at issue here, seeking to exclude damages under section 271(f) on units of NetMeeting exported overseas on golden master discs for the express purpose of combining the code with other apparatuses (namely CD-ROMs and computers) to form apparatuses that infringed the patent-in-suit. 2003 U.S. Dist. LEXIS 15139, at *2-4. The court rejected Microsoft's arguments, noting "the code itself is a patentable apparatus" and holding that the golden master and code constitute "components" under section 271(f). *Id.* at *4, *8.

In *Eolas*, as here, the patentee sought damages under section 271(f) for Microsoft's distribution of Windows products on golden master discs to foreign OEMs. 274 F. Supp. 2d at 973. The district court rejected arguments similar to those Microsoft advances here, and concluded that software in a computer product "is, in law, the legal equivalent of a piece of computer hardware and not the legal equivalent of a chemical formula." *Id.* at 974.

The products at issue in *NTP* were the defendant's popular Blackberry wireless, handheld email/paging devices and its wireless email/paging transmission network. 261 F. Supp. 2d at 426. The district court granted summary judgment of infringement by the handheld devices under section 271(f):

> [Defendant] supplies memory and ***application programs*** of an RF device, ***which are components*** that are especially adapted for use in the BlackBerry Pager. These components are combined with the Intel processor outside the United States when the pagers are manufactured, in such a manner that would infringe Claim 248 if such combination occurred

> inside the United States, causing infringement under § 271(f).

Id. at 431. (emphasis added). The *NTP* court also granted summary judgment of infringement under 271(f) as to the defendant's transmission network, ironically holding that Microsoft's Exchange Server software was one of the components of the system that the defendant combined outside the United States that gave rise to liability under section 271(f). *Id.* at 436-37.

Contrary to Microsoft's assertion (Microsoft's Br. at 10), the Federal Circuit's decision in *Bayer AG v. Housey Pharmaceuticals, Inc.*, 340 F.3d 1367 (Fed. Cir. 2003), does not require a different result. The *Bayer* court addressed only the interpretation of section 271(g)—which is directed only to importation into the United States of products produced by patented processes—and not an interpretation of section 271(f). *Id.* at 1371. Indeed, the only reference to section 271(f) in *Bayer* is *dicta* explaining that Congress's intent in defining the two different acts of infringement in sections 271(f) and (g) was to avoid encouraging manufacturing outside the United States. *Id.* at 1374. Nowhere did the court apply its interpretation of section 271(g) to 271(f). *See generally id.*

Moreover, the "information" at issue in *Bayer* was fundamentally different from the software at issue here. The information in *Bayer* was data generated from a patented method to identify whether a given substance had a particular property (namely, whether that substance activated or inhibited protein activity in a cell). *Id.* at 1369. This data could be used to identify effective drugs for treating diseases. *Id.* at 1370. The patentee alleged that Bayer used the patented process outside the United States, imported into the United

States the data generated from that process, identified effective drugs from that data, and manufactured those drugs in the United States. *Id.* The Federal Circuit held that importation of that data did not infringe the method patent under section 271(g). *Id.* at 1377-78. The crux of the court's decision was that section 271(g) was directed towards articles of manufacture, and not data or "information" used to identify those articles. *Id.*

The result in Bayer makes sense because data or "information" about a substance's properties alone is not patentable. *See Diamond v. Diehr*, 450 U.S. 175, 185 (1981) ("Excluded from such patent protection are *laws of nature, natural phenomena*, and abstract ideas.") (emphasis added). As explained in detail above, however, because software on a computer-readable medium (such as the golden masters) is a computer element defining structural and functional interrelationships between the software and the computer, the software can be part of a patentable manufacture or machine, and the software can be patented itself. Thus, the *Bayer* court's treatment of imported information under section 271(g) has no bearing on the question of whether software can be a component of an infringing device under section 271(f)—a question answered in the affirmative by every court that has addressed it.

IV. CONCLUSION

The law plainly recognizes that software can be a component of a patented invention or of an infringing device. Microsoft's interpretation of section 271(f) would create the absurd result that, while assembly of computer products in the United States can infringe under section 271(a), an infringer can assemble those exact same products outside the United States and yet circumvent infringement merely by exporting

the software that defines the structure and function of those products. Such piracy is exactly what section 271(f) was designed to prevent. Accordingly, the Court should deny Microsoft's motion *in limine* and allow AT&T's claims under 271(f) to be heard by the jury.

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